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Post War Rubber Prices
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POST WAR RUBBER PRICES (1924 ?)

Rubber is one of the few commodities selling at prices lower than those prevailing in 1913. Present prices are the highest which have prevailed since 1920, but relatively to 1913 the price of raw rubber is low. Ribbed smoked sheets were in December 1924 only 57% of 1913 prices. The average price at New York in 1913 was about 67 cents, in December last it was 37¾ cents. In February 1919 the price was 56 cents and in June 1919 37¾ cents. It recovered later in 1919 and was 53½ cents in January 1920, but shared in the general slump which came in that year. By June 1921 it had fallen to 13 cents per pound. When the Stevenson restriction scheme came into force in November 1922 an upward movement commenced which culminated in a price of 36 cents in February 1923, but there was afterwards another recession and in May 1924 the price was 20 cents. In August 1924 there was a decided upturn which had reached 37¾ cents in December.

Prior to 1913 the world's chief supply of rubber was obtained in wild tropical forests. Since then plantation rubber has become the great source of supply. Commencing in 1900 with a recorded production of 4 tons the supply from plantations increased to 409,482 tons in 1922. In that year wild rubber amounted to 31,696 tons. In spite of the tremendous increase in the use of rubber, especially in the automobile industry, the demand for it has not kept pace with the highly augmented supply and as a consequence prices are below the 1913 level in which year the total world production of rubber was 114,651 tons. The highest prices on record obtained in 1910 when the supply was 77,500 tons.

In order to ~~belive~~ relieve the situation which arose during the slump in 1920 and 1921, when rubber went as low as six pence on the London market, what is known as the Stevenson restriction scheme was devised by the British rubber interests and commenced in November 1922. The avowed purpose of this scheme was to curtail production in order to save the industry from at least partial extinction and future supplies from the risk of shortage. The plan is based upon a standard production of 330,000 tons all told, which is the output in the year ending October 31, 1920, and upon a London price of 15 pence per pound which is claimed to be the lowest price (marginal price) at which all companies can produce at a profit. Export duties were imposed if over 60 per cent of the normal output was exported. The duty increases by a sliding scale and at 100 per cent is 1 shilling and two pence. A small duty was imposed on 60 per cent output. The original 60 per cent allowance was to be only a start. There was further provision that if at the end of the first three months of restriction and every succeeding quarter the price of rubber averaged at least 15 pence per pound for finest grade than 5 per cent more could be exported at the 60 per cent rate in the following quarter. If the average was 18 pence then 10 per cent more could be exported at that rate. On the other hand if the price was less than 15 pence then only 55 per cent was to be exported at the 60 per cent rate in the next quarter and so on. It will be seen that the plan aimed to stabilize prices between 15 and 18 pence. By quarters commencing November 1922 the releases have been successively 60, 60, 65, 60, 60, 60, 60, and commencing with August 1924 it was reduced to 55 per cent.

Since the inception of the scheme world stocks, which have been very large since 1920, were greatly reduced. The estimated reduction in 1923 was 40,000 tons and there was probably as great a reduction in 1924. Despite these reductions the price situation was slow to improve after the initial impetus which was said to be due to the uncertainty in the minds of the buyers as to just how the scheme would work. Only when in August 1924 the export allowance was reduced to 55 per cent did a marked improvement take place.

The reasons given for the slow results are that for sometime the restriction was not effectively enforced. The scheme was applicable to Malay and Ceylon and was accepted by the British planters of Borneo and Southern India. British planters control 70 per cent of the production, but there seems to have been considerable smuggling on the part of natives. Dutch and other planters who declined to come into the scheme increased their output to the limit. It is claimed that more rigid enforcement prevailed among British plantations in 1924.

On the demand side expectations of greatly increased requirements in 1923 were not realized. Demand did not much exceed that of 1922. The slump in the first seven months of 1924 is attributed to (1) the unfavorable weather which postponed the public demand for tires, particularly in the United States which consumes 75 per cent of the world output of rubber, (2) uncertainty among manufacturers as to the outcome regarding the balloon and cord tire issue, (3) the continuance of the policy of hand to mouth buying on the part of users, (4) liquidation of certain rubber stocks which had long been held.

There are many who decry the Stevenson plan and designate it a failure. It is claimed by them that Dutch interests by increasing output are benefiting at the expense of the British planters and that the real cause of the slump early in 1924 was large shipments from the Dutch East Indies. Against these statements are the facts of reduced world stocks and the rise which took place after the additional 5 per cent restriction which went into force in August.